

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7166

BILL NUMBER: SB 453

NOTE PREPARED: Jan 29, 2004

BILL AMENDED: Jan 29, 2004

SUBJECT: Property and Casualty Guaranty Fund.

FIRST AUTHOR: Sen. Clark

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill amends various provisions of the property and casualty insurance guaranty association law, including (1) definitions; (2) board membership; (3) association obligations; (4) assessments; and (5) exhaustion of insurance policy benefits.

Effective Date: July 1, 2004.

Explanation of State Expenditures:

Explanation of State Revenues: The proposal provides that money of the Indiana Insurance Guaranty Association (IIGA) may not be considered part of the state General Fund and may not be used for any purpose except for the payment of the debts, claims, obligations, and liabilities of the IIGA. This provision corresponds to current practice.

Explanation of Local Expenditures:

Explanation of Local Revenues: The proposal could affect local units and school corporations if the unit has a policy with an insurer that becomes insolvent. The impact is indeterminable.

Background: IC 27-6-8-1 established the IIGA to provide a mechanism for the payment of "covered claims" due to a carrier insolvency. The IIGA responds when a Final Order of Liquidation to which there is no further right of appeal has been entered against the carrier by a court in the state where the carrier is organized. The IIGA is funded through assessments on insurers. The proposal provides limits on those assessments.

Under current law, "covered claim" does not include, among other conditions, a claim against a person

insured by an insolvent insurer if the person's net worth at the time of the insured event was more than \$50 M.

The proposal also reduces the net worth threshold to \$25 M. Under current law, the IIGA is obligated for covered claims for only that amount of each covered claim which is less than \$100,000. The proposal changes this amount to \$250,000.

Additionally, under current law, the IIGA is not obligated in an amount in excess of the applicable limits provided in the policy nor in an amount in excess of \$300,000 for all claims arising out of one occurrence. The proposal changes the upper limit to \$500,000.

From 1995 through 2001, 14 insurers have become insolvent. In 2002, eight insurers became insolvent.

State Agencies Affected: Department of Insurance.

Local Agencies Affected: Local units and school corporations if the unit has a policy with an insurer that becomes insolvent.

Information Sources: John Madsen, IIGA, 317-636-8204; <http://development.crewtech.com/ICRB/indiana.nsf/0/947F06AE8171660A852564A7007BD111?OpenDocument>, January 5, 2004.

Fiscal Analyst: Bernadette Bartlett, 317-232-9586.